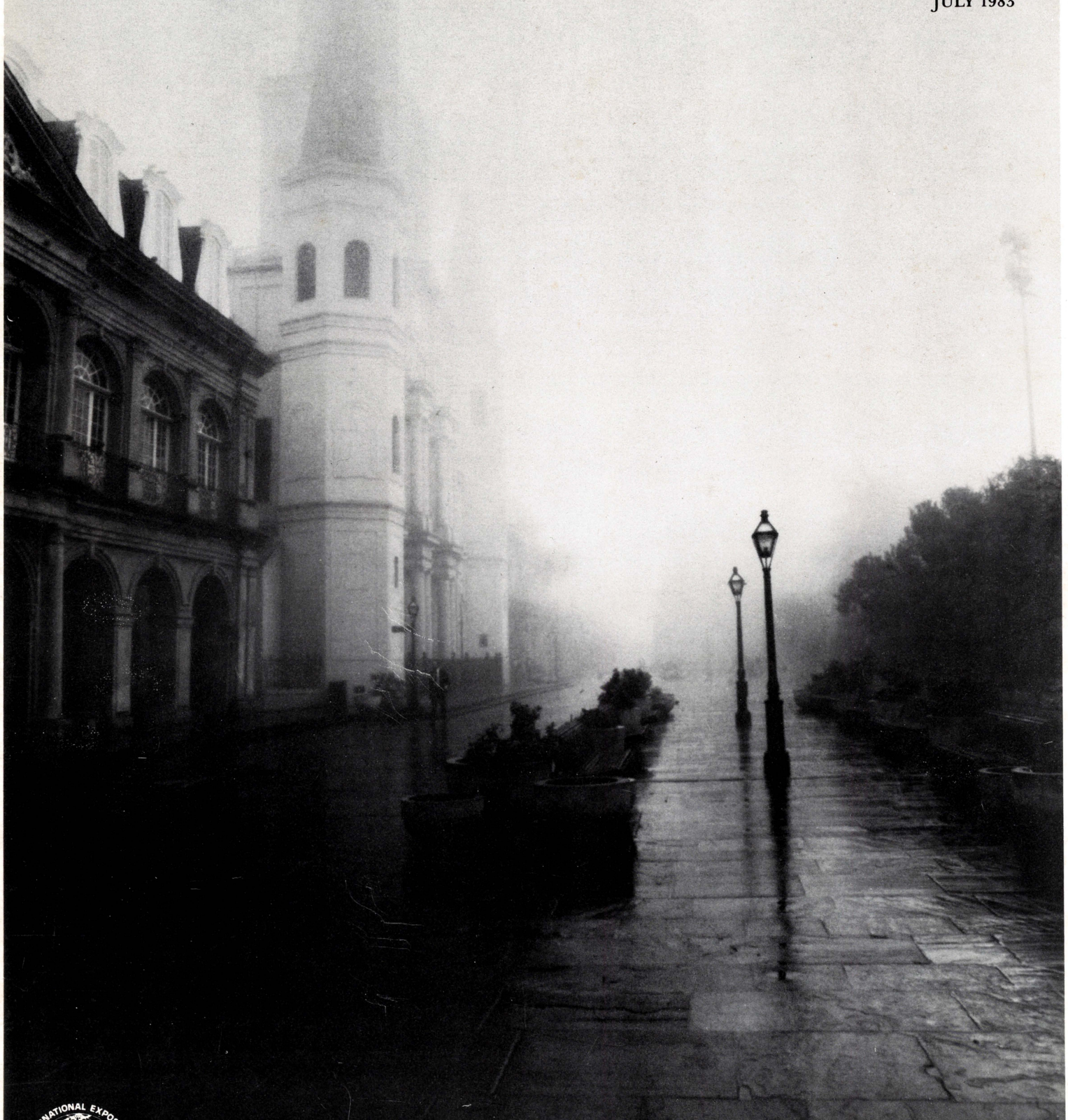
THE LOCATION

JULY 1983



NEW ORLEANS plus THE 1983 AMOA INTERNATIONAL EXPOSITION OF GAMES AND MUSIC equals two tradtitions meeting to produce a sold out show of 541 booths and 157 Exhibiting companies . . . . see related stories pages 8-15.

AMOA Board Approves By-Law Change to Include Street Cigarette Vendors

To be consistent with most State Association by-laws and to better service its membership the AMOA Board of Directors has recommended that AMOA change its by-laws to include Street Cigarette Vendors. This change would be reflected in Article II, Section I (a copy of the by-laws is in the back of your Membership Directory).

> To foster the interests of those persons, firms or corporations engaged in the business of operating coin-operated phonographs, amusement games and *cigarette vending machines*, etc. . . .

The rest of the by-laws would be modified to reflect this change.

In order to effect this change the membership will have to cast two-thirds affirmative vote at the General Membership Meeting on Friday the 28th of October at the Hilton Hotel in New Orleans. ■

(l to r) Dorothy McNichols, Julie Komat, Ellen Reesey and Fran Guido being trained on the Word Processor. This system will enable the Association to directly contact selected sections of the Membership with information and up-dates directly relating to them. In addition, it will simplify the process of keeping Committee members informed on a timely basis and will allow us to respond immediately to most non-association information requests.

CALENDAR OF EVENTS, 1983

JULY

MONTANA COIN MACHINE OPERATORS ASSN.
July 15-17, Bozeman, Montana.

AUGUST

MUSIC AND VENDING ASSOCIATION OF SOUTH DAKOTA
August 27-28, Holiday Inn, Spearfish, South Dakota.

SEPTEMBER

NORTH CAROLINA COIN OPERATORS ASSN., INC.
September 8-11, Hyatt House, Winston-Salem, North Carolina.

NEW YORK COIN MACHINE ASSOCIATION, INC.
September 23-25, Holiday Inn, Lake Placid, New York.

WEST VIRGINIA MUSIC AND VENDING ASSOCIATION
September 23, 24, Holiday Inn, Heart of Town, East Charleston, West Virginia.

OCTOBER

AMUSEMENT & MUSIC OPERATORS OF VIRGINIA
October 7-8, John Marshall Hotel, Richmond, Virginia.

AMOA EXPOSITION 1983
. . . "Reflecting A Proud Industry" . . .

THE RIVERGATE, NEW ORLEANS, LOUISIANA
HILTON HOTEL, HEADQUARTERS
OCTOBER 27-30, AMOA EDUCATION PROGRAMS
OCTOBER 28-29-30, INTERNATIONAL EXPOSITION

EDUCATION PROGRAM, 1983
Contact AMOA for details

NOVEMBER

AMOA-NOTRE DAME EXECUTIVE DEVELOPMENT PROGRAM,
November 13-16, Notre Dame, Indiana.

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AMOA
(312) 654-2662

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Director of Communications and Research

JULIE KOMAT
Publications Secretary

The LOCATION is published monthly as a service to its members by the Amusement and Music Operators Association, 2000 Spring Road, Suite 220, Oak Brook, IL 60521.

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2000 Spring Road, Suite 220
Oak Brook, IL 60521
ATTN: LOCATION Editor, J. D. Meacham

The LOCATION is Bulk Mailed from Oak Brook, IL 60521.

FOR PROMPT MAILING SERVICE FROM AMOA: To change your addressing information, please send an address label from a recent mailing along with the new address to help speed up the change. Thank You.

FROM CAPITOL HILL

COURT DECISION ON COPYRIGHTABILITY and SPEED-UP GAMES

The U.S. Court of Appeals for the Seventh Circuit has ruled that videogames are copyrightable as audiovisual works under the 1976 Copyright Act. This court also went on to rule that the sale of circuit boards that speed up the rate of play of video games infringes on the copyright owner's exclusive right to prepare derivative works.

Plaintiff, Midway Mfg. Co., manufactures and sells the videogames "Pac-Man" and "Galaxian."

Defendant, Artic International, Inc. sells printed circuit boards for use in videogames. One circuit board manufactured speeds up the rate of play on the "Galaxian" game. Another circuit board manufactured produces images and creates sounds almost identical to that produced by the plaintiff's "Pac Man" videogame.

Plaintiff sued defendant claiming the sale of the two printed circuit boards infringed on its copyrights in the "Pac Man" and "Galaxian" games which are "audiovisual works" protected under the 1976 Copyright Act, Section 101. This section defines audiovisual works as: "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied."

This court ruled that video games do fall within this definition and are therefore protected under the Copyright Act. This decision also conforms with those of every other federal court that has confronted this issue, so the reasons for arriving at the decision are not enumerated here.

The other issue examined by the court was whether the circuit boards manufactured and sold by the defendant which would speed up the play of plaintiff's machines was a violation of the plaintiff's copyright. *(continued on page 18)*

State Association Up-Date

Effective immediately the phone number and address for the Pennsylvania Amusement & Music Machine Association (PAMMA) is:

PAMMA
700 Green St., P.O. Box 2667
Harrisburg, PA 17102
800/692-7828 (PA only)
717/234-2452

AMOA, AVMDA and AGMA RELEASE NEW PR PAMPHLET

The recently revised, cooperative effort pamphlet by AMOA, AVDMA and AGMA is now available to AMOA members. A sample brochure is included in this mailing of the ***LOCATION***.

The pamphlet directly address the following questions and issues: "What is the coin-operated amusement industry?"; "Isn't this a very profitable business?"; "Just what good does the industry do for my community?"; "Do young people congregating at amusement centers increase the local crime rate?"; "Are video games addictive?"; "Do players gain anything from video games?"; and a list of key coin-operated amusement facts.

COIN OPERATED AMUSEMENTS & YOUR COMMUNITY is available from AMOA at a charge of 20¢ per pamphlet (minimum order is $2.00). Make your check payable to AMOA and send ATTN; J.D. Meacham, AMOA, 2000 Spring Road, Suite 220, Oak Brook, IL 60521. ■

It Is Time To Think About Who *YOU* Would Like To Recommend For The AMOA Board of Directors

It's your turn. Your turn, as an AMOA member, to give serious consideration to who you would like to recommend for the AMOA Board of Directors. The Association by-laws require the Nominating Committee to propose a slate for the election of Directors to serve on the AMOA Board. The slate will be presented to the membership for voting on at the Annual Meeting, Friday, October 28, 1983 at the Hilton Hotel, New Orleans. The procedures for recommending a candidate are as follows:

1. Candidates for the Board of Directors must be submitted to the Nominating Committee for investigation at least ninety days prior to the election.
2. Deadline for recommendations is July 31, 1983.
3. Each candidate must be a member of AMOA in good standing for a minimum of one year.
4. Candidates must be willing, if nominated, to attend two meetings a year for which they pay their own expenses.
5. Each candidate must be endorsed by five (5) AMOA members in good standing.
6. Biographical information on each candidate should include:
   A. Name of person, company name and address, and position with the company.
   B. Number of years company has been in business, and geographic area serviced by the company.
   C. Number of years person has been in the industry and with this company.
   D. Number of years a member of AMOA and any positions held.
   E. State Association membership and any positions held.
   F. Civic and Community Activities.
   G. Special interest/hobbies/awards.

All recommendations should be sent to:

Nominating Committee
AMOA
2000 Spring Road, Suite 220
Oakbrook, IL 60521

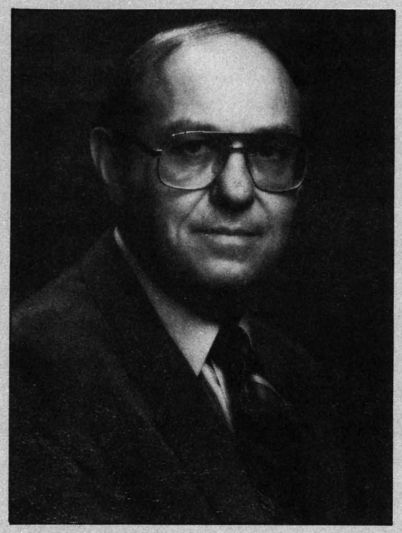
The Nominating Committee for Directors is responsible for reviewing nominations from the General Membership of AMOA and for recommending 10 members to begin serving on the AMOA Board this year for a term of three years.

Leoma Ballard, Past President, in accordance with the procedures of the Association, will serve as Chairman of the Nominating Committee. Other members on the Committee include J.B. Reaves, Clyde Knupp, James Trucano, Jerry Derrick, Curtis Hudson, and Kem Thom.

Any regular member in good standing is eligible to become a candidate for Director. Interested persons should send their qualifications to the Committee at the AMOA National Headquarters and should support his application with letters from five (5) other members in good standing. The deadline for all recommendations and supporting documents is July 31, 1983. Being an AMOA Director is a serious matter requiring only those who are willing and able to devote time for the betterment of the Association and the industry. ■

HOW TO TAKE MONEY OUT OF YOUR CLOSELY HELD CORPORATION

by Irving L. Blackman



Irving L. Blackman

(Editor's Note: The ***LOCATION*** *is proud to introduce Irving L. Blackman, C.P.A., the most published tax authority in the United States. His articles will be a continued feature of the expanded* ***LOCATION.***

Mr. Blackman lectures nationally on taxation and is the author of many books, special reports and regular columns devoted to taxes. He is a senior partner in the accounting firm of Blackman, Kallick & Co., Ltd. (offices in Chicago, Miami and Houston). His professional practice centers on closely-held businesses).

Closely held American business seems to be engaged in the worst kind of Catch-22 dilemma. If your business is successful, tax consultants advise you to incorporate to save taxes. You do. Then the same consultants caution you with a long list of "No, you can't do that."

Frustrated business owners keep asking: "Was incorporating smart in the first place? Should I stay incorporated? If so, how can I take money out of my corporation?" To understand the dilemma and minimize the tax cost you must know the answers to all of the questions.

Was Incorporation Smart?

For the successful business, the simple fact of incorporation usually produces immediate tax savings. Why? The answer lies in the corporate tax rate. A corporation pays taxes as follows:

Taxable Income	Tax on Column 1	% on Excess
$25,000 or less	---------- 15% ----------	
25,000	$ 3,750	18
50,000	8,250	30
75,000	15,750	40
100,000	25,750	46

For example, if a corporation has $60,000 of taxable income, the tax would be $11,250 ($8,250 on the first $50,000 plus $3,000 on the next $10,000). Assume this corporation is owned 100 percent by Joe Success, who personally is in a solid 50-percent tax bracket. The $60,000 of corporate income, if Joe did business as a sole-proprietorship, would have cost him $30,000 in tax. The corporation saved Joe $18,000 ($30,000 - $12,000).

A married man filing a joint return with taxable income of just $46,000 is in a 44-percent tax bracket. A must exercise for every non-incorporated business is to substitute your own estimated profits and tax brackets to determine the potential annual savings by doing business as a corporation.

Is Staying a Corporation Smart?

As long as the corporation stays profitable, capturing taxable dollars in the corporation at lower rates than the corporation owner's tax bracket usually results in overall tax savings – year after year after year.

With the passage of time, many successful closely held businesses build a substantial asset base. Yet, the owner who built the business is sort of on the outside looking in – all those nice assets . . . Mine, all mine. True. But there is a price tag. What if you take part of the assets – in cash or in property? This taking would be labeled a "dividend." Dividends often are called "tax-horror stories" because they are taxed twice. First, the corporation pays out after-tax dollars but cannot deduct them; second, the stockholder must treat them as ordinary income – subject of up to a 50 percent tax.

What about liquidating your corporation? Then you can get your hands on all the corporate assets. Definitely not a good tax move. All the

accumulated earnings, since incorporation, are taxed to the stockholder on liquidation – subject to a capital gains tax of up to 20 percent. Worse yet, the four low corporate tax brackets for future annual business profits of under $100,000 are destroyed.

Keeping the corporation alive and well is almost always the best tax answer. And this brings us to the main purpose of this article.

How To Take Money Out of a Closely Held Corporation

The balance of this article is a checklist of some of the methods that will show you how to accomplish this purpose.

Current fringe benefits stand at the head of the list when taking money out of a corporation. Why? The tax results are perfection – the corporation gets an immediate deduction while the employee gets a current economic benefit tax-free. Employer payment or reimbursement of all medical expenses of the employee and dependents, group term life insurance up to $50,000, and educational assistance programs are common examples. These benefits cannot discriminate in favor of highly paid employee/stockholders, officers or directors. Medical examinations, company-furnished meals and lodging, moving expenses, executive training, conventions, and business expense accounts for auto, travel and entertainment are great ways to award tax-free benefits to selected key people. A basic current fringe benefit package is rarely dramatic, but it is definitely the place to start.

Deferred fringe benefits are a must for accumulating large sums of money. In this area qualified deferred compensation plans – pension and profit sharing plans – are at center stage. Not only does the employer get an immediate deduction but the funds accumulate in a tax-free trust. Such plans are designed to defer the benefit to be received by the employee. For the stockholder/employee a properly designed plan can be the best tax shelter deal in town. If you have not yet looked at the benefits available with a ***defined benefit pension plan***, you are probably missing the tax boat. Often, the stockholder can make large annual contributions for himself while making insignificant contribution for line employees. Look into it.

Qualified Plan Loans May Be Best Idea of All

How does this tax idea strike you: Pay interest to yourself; deduct the interest you pay; receive the same interest tax-free. Impossible? . . . It can be done. How? . . . In a nutshell, have a qualified plan (either profit sharing or pension) authorize loans to its participants. The loans of each participant are limited to the lesser of (1) $50,000 or (2) 50 percent of the participant's vested accrued benefit, but not less than $10,000. The maneuver converts a deferred benefit into a current benefit.

Are there any hitches? Not really. The IRS will approve a qualified plan that has a loan provision if the loans: (1) Are available to all participants and beneficiaries on a reasonably equivalent basis; (2) are not made available to highly compensated employees, officers or shareholders in a percentage amount greater than to other employees; (3) are made in accordance with specific provisions regarding such loans set forth in the plan; (4) bear a reasonable rate of interest; and (5) are adequately secured.

An IRA is a must for every stockholder/employee of a closely held corporation. The maximum contribution is $2,000 per year. Make it. You have a choice: You can set up your own IRA with a bank, brokerage house or other institution, or you can amend your company pension or profit sharing plan to receive the IRA contribution. If your wife is not already working, find a job for her at your company. A $2,000 IRA contribution to her separate IRA gives the family a total of $4,000 of current tax-free income.

Interest-free loans by the corporation to shareholders are an outstanding way to take money out of a closely held business. A taxpayer recently double-dipped his savings with court approval. First he made interest-free loans from his corporation. Then he used these funds to invest in tax-exempt bonds. The IRS cried "foul." The court said the law was on the side of the taxpayer and any changes "are best left to Congress." (Jack Baker vs. Comm.)

To counteract the ever-present dividend threat, the stockholder and the corporation should clearly indicate that a loan is intended:

1. Execute notes for all advances.
2. Indicate a zero interest rate on the notes.
3. Specify the repayment date(s).
4. Provide security, if available.
5. Enter the transaction on the corporate books as a loan from its inception and so state in the minute book.

Compensation from the corporation for services rendered is the logical choice for receiving current benefits from the corporation. A common error is taking too much salary. For example, if your compensation is being taxed at 50 percent dollars and the corporation is in a 30 percent tax bracket or lower, each dollar you take costs you 20 cents or more in taxes than the corporation saves for the offsetting deduction. The amount of your compensation should be balanced considering your other income, your needs and tax bracket, the tax bracket of your corporation and making sure the amount taken does not exceed a reasonable compensation. Amounts taken in excess of reasonable com-

(continued on page 18)

'83' INTERNATIONAL EXPO SELLS OUT RECORD NUMBER OF BOOTHS

This is it . . . and it's yours.

The lace ironwork typifies the old structures still existing in the French Quarter and provide a restful backdrop for a quiet walk after visitng the Expo.

After expanding the exhibit space to both sides of the Rivergate Concourse (see enclosed map, pages 10 & 11) the Association sponsored 1983 INTERNATIONAL EXPOSITION OF GAMES AND MUSIC . . . truly will REFLECT A PROUD INDUSTRY.

All 541 booths have been assigned and represent the efforts, talents, products and services of 157 exhibitors —this is a growth of 102 booths over last year.

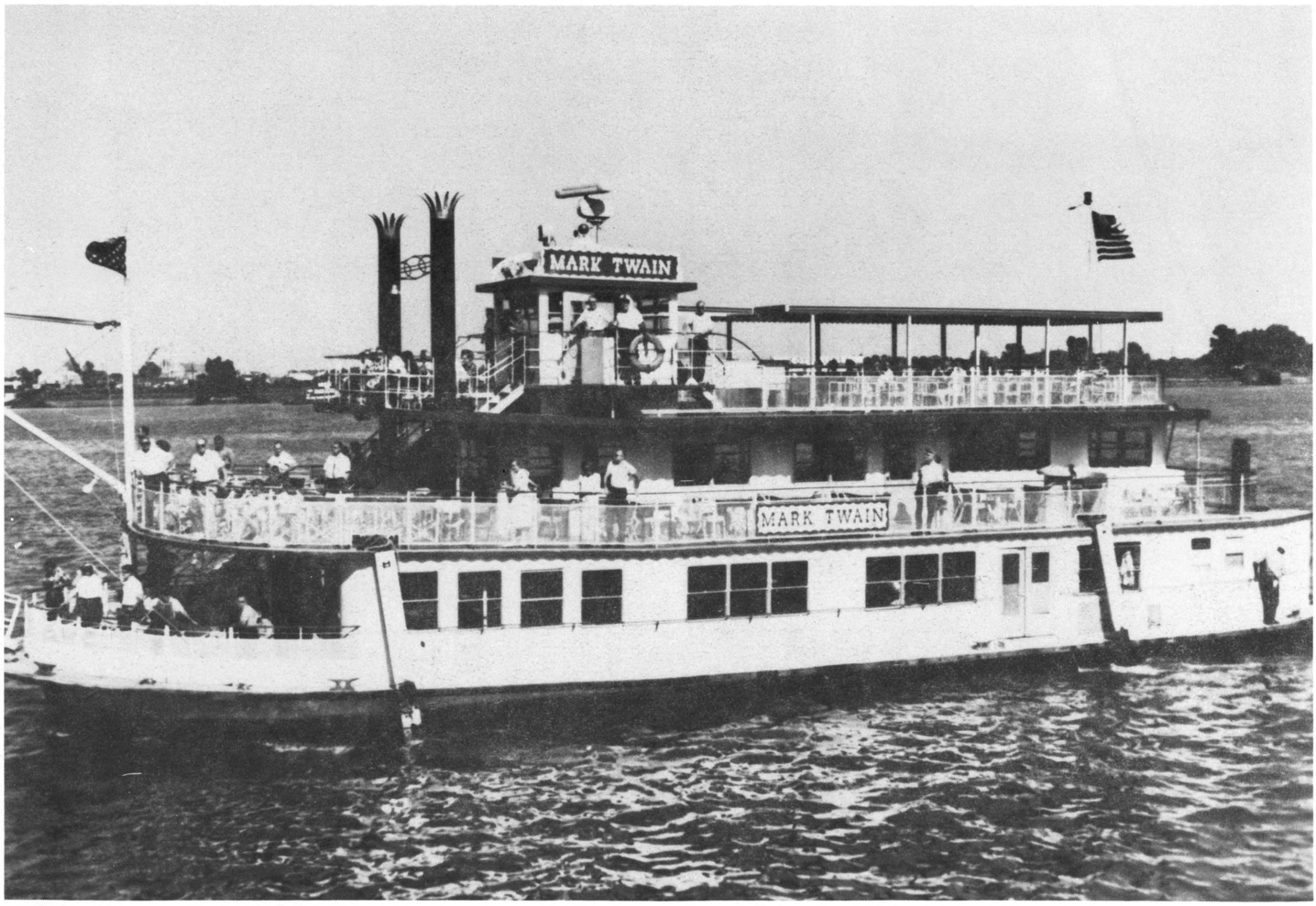
This year there are 33 new exhibitors joining the Exposition. These include the first re-entry into the industry marketplace by Nolan Bushnell and his Sente corporation.

Even though AMOA felt an obligation to provide space for new exhibitors it was not possible to accommodate all those requesting space. One relief for this situation will be the move back to the Chicago Hyatt in 1984 when fully 700 plus booths will be available for the '84' Expo.

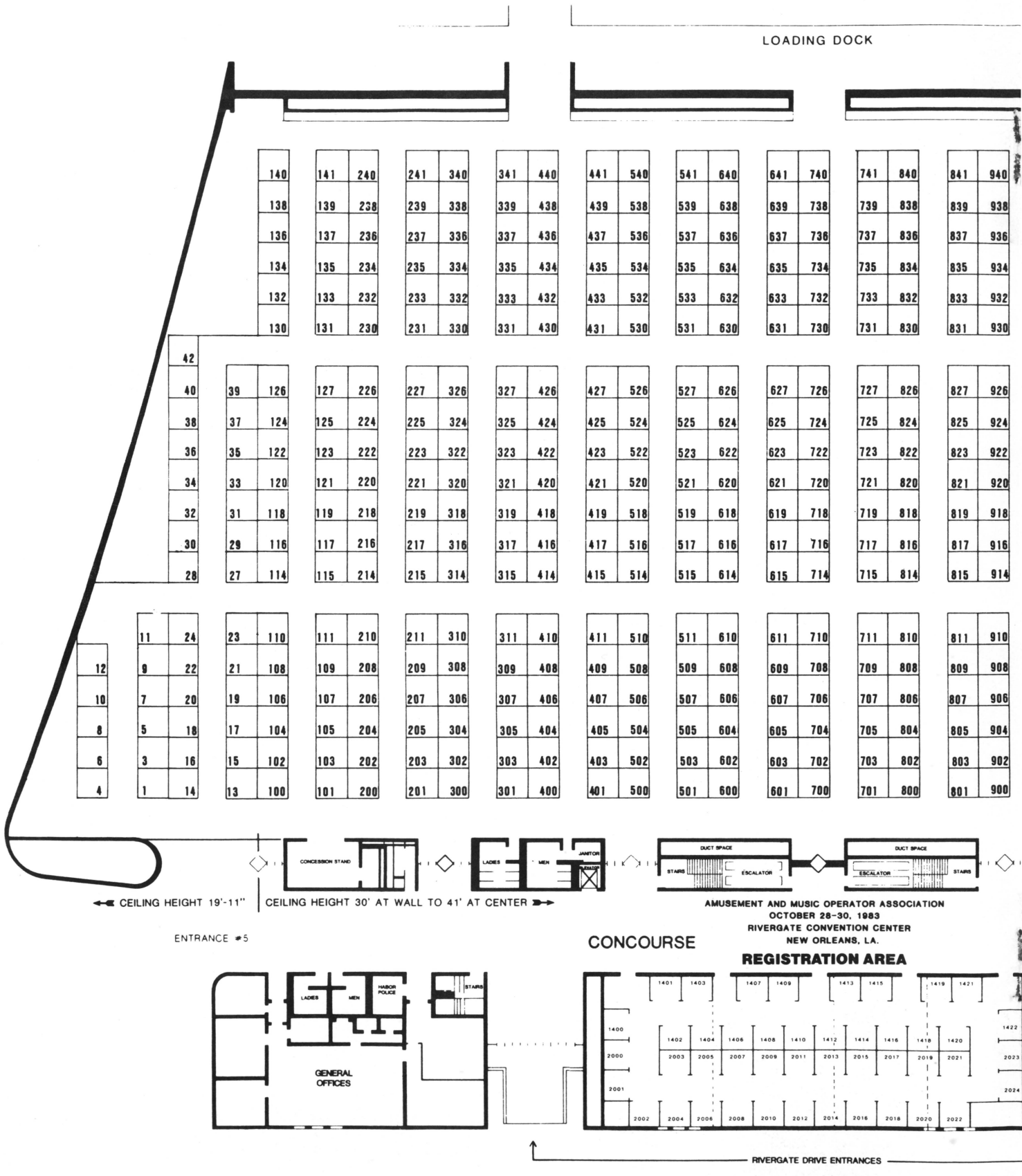
Already the AMOA staff is working on Expo '84' and anticipate that option notices will be out before the end of this year. The result . . . more planning time for everyone so that the American Exposition, as the AMOA show has come to be known world-wide, continues to "Reflect A Proud Industry".

The "83" International Expo.

The new motor vessel "Mark Twain" is an exact replica of the sternwheelers of Mark Twain's time. Take a ride along its more than 40 mile route on the mighty Mississippi River.

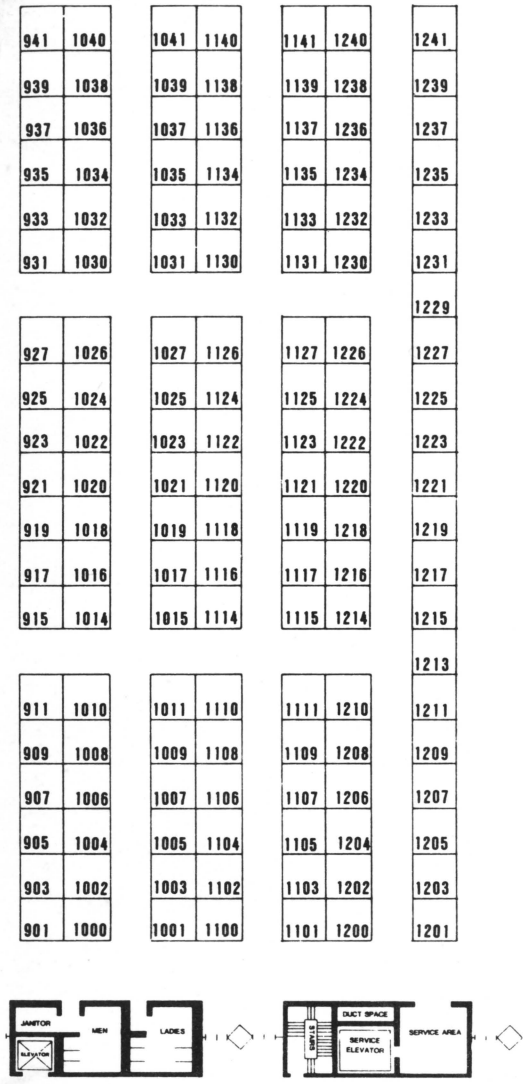


Floor Plan for the I



THE RIVERGATE NEW ORLEANS **AMUSEMENT AND MUSIC OPERATORS**

nternational Expo



AMOA EXPOSITION 1983
. . . "Reflecting A Proud Industry" . . .

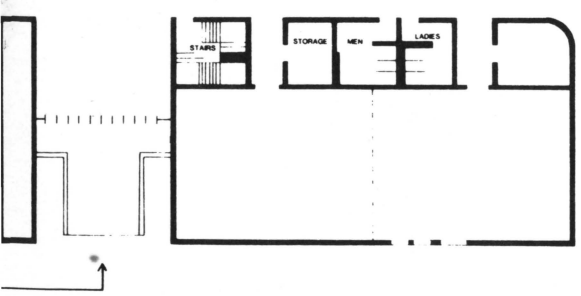
ENTRANCE #1

INTERNATIONAL EXPOSITION OF GAMES AND MUSIC®
AMUSEMENT & MUSIC
AMOA
OPERATORS ASSOCIATION

THE RIVERGATE, NEW ORLEANS, LOUISIANA
HILTON HOTEL, HEADQUARTERS
OCTOBER 27-30, AMOA EDUCATION PROGRAMS
OCTOBER 28-29-30, INTERNATIONAL EXPOSITION

AMOA's International Trade Show for Coin-Operated Games, Music, and Allied Products

ENTRANCE #2



ASSOCIATION

THE RIVERGATE

"83" Expo Exhibitors

A-1 ASH TRAY CO.
Kinston, NC

AACURATE COUNTERS CO.
West Chester, PA

ABC WAREHOUSE
Austin, TX

ABLOY SECURITY LOCKS
Niles, IL

ALL-WEATHER AMUSEMENTS
Spring Valley, NY

ALTER ENTERPRISES
Wharton, NJ

AMERICADE AMUSEMENT
Cherry Hill, NJ

AMERICAN COMMUNICATIONS
Dover, DE

AMERICAN SHUFFLEBOARD CO., INC.
Union City, NJ

AMUSEMENT & MUSIC OPERATORS ASSOC.
Oak Brook, IL (Service Booth)

AMSTAR ELECTRONICS
Phoenix, AZ

AMUSEMENT EMPORIUM, INC.
Englewood, CO

ARACHNID, INC.
Rockford, IL

ARDAC, INC.
Eastlake, OH

ATARI, INC.
Milpitas, CA

AUTOMATED PRODUCTION EQUIPMENT
Medford, NY

AUTOMATIC PRODUCTS CO.
St. Paul, MN

BALLEY-EMPIRE-MIDWAY
Chicago, IL

R. H. BELAM CO., INC.
Lake Success, NY

BELL-A-MATIC MFG. CORP.
Reno, NV

BHUZAC INTERNATIONAL TRADING
Foster City, CA

BOB'S SPACE RACERS, INC.
Daytona Beach, FL

BRANDT, INC.
Watertown, WI

BUMPER TUBE, INC.
Goodrich, MI

BUSINESS BUILDERS
Cupertino, CA

BUTLER VIDEO SYSTEMS
Northridge, CA

CAL OMEGA, INC.
Carlsbad, CA

CAROUSEL INTERNATIONAL CORP.
Eldon, MO.

CENTURI, INC.
Hialeah, FL

CHICAGO LOCK CO.
Chicago, IL

CINEMATRONICS, INC.
El Cajon, CA

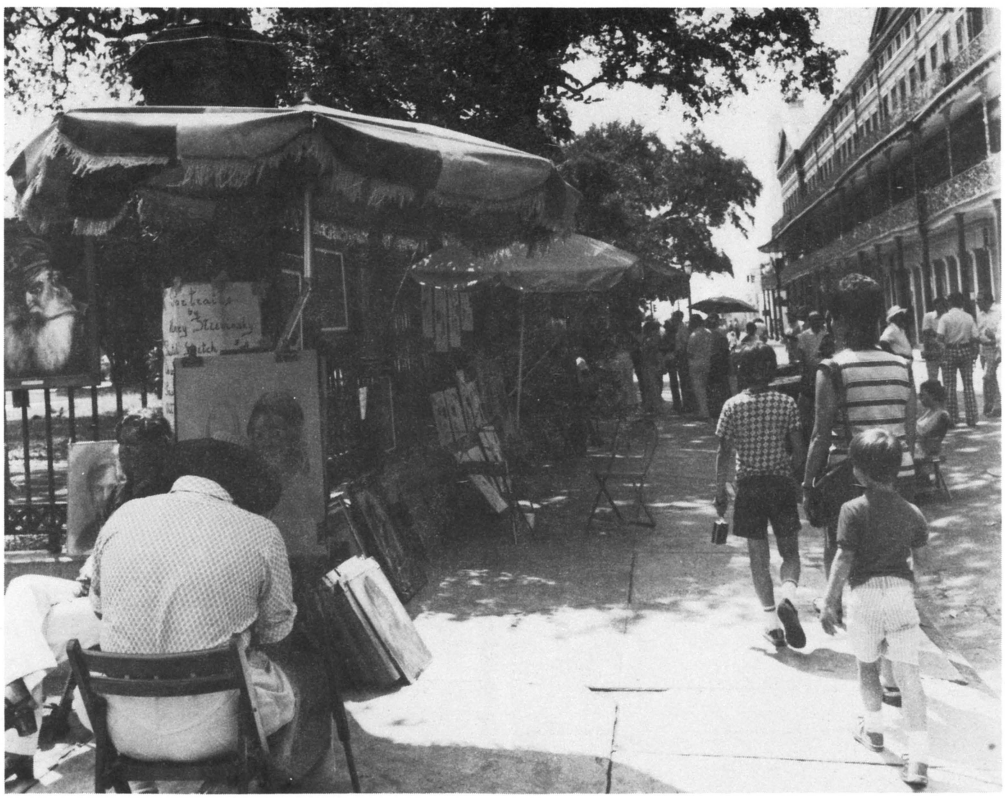
COIN ACCEPTORS, INC.
St. Louis, MO

COIN CONTROLS, INC.
Elk Grove, IL

COIN MECHANISMS, INC.
Elmhurst, IL

COMPUNETIC DEVICES
Las Vegas, NV

D & R INDUSTRIES
Lincolnwood, IL



Artists on Jackson Square just a few blocks from the Rivergate and the Headquarters Hotel, the Hilton New Orleans.

PETE FOUNTAIN – Enjoy jazz at its finest, performed by New Orlean's own Pete Fountain in the Hilton Hotel, Headquarters Hotel for Expo '83'.

DATA EAST USA, INC.
Santa Clara, CA

DESTRON, INC.
Chicago, IL

DEUTSCHE WURLITZER
Huellhorst, West Germany

DIGITAL CONTROLS, INC.
Norcross, GA

DON MILLER ENTERPRISES
Windsor, CO

DON TAYLOR SALES
Westtown, PA

DYNAMO CORP.
Grand Prairie, TX

EASTERN MICRO ELECTRONICS, INC.
ATW USA, INC.
Somerset, NJ

ELECTRO-SPORT, INC.
Costa Mesa, CA

ENTERTAINMENT ENTERPRISES, LTD.
Oceanside, NY

ENTERTAINMENT SCIENCES
Huntington Beach, CA

ENTER-TECH, LTD.
Tempe, AZ

EXIDY, INC.
Sunnyvale, CA

FIDELITY TRADING INC.
South Plainfield, NJ

J. F. FRANTZ MFG.
East Moline, IL

RANDY FROMM'S ARCADE SCHOOLS, INC.
San Diego, CA

GAME-A-TRON CORPORATION
New Britain, CT

THE GAME EXCHANGE, INC.
Columbus, OH

GAME PLAN, INC.
Addison, IL

GAMETECNIKS CORP.
Schiller Park, IL

GLOBAL BILLIARD MFG. INC.
Cerritos, CA

GOODS MFG. INTERNATIONAL
Alhambra, CA

D. GOTTLIEB & CO.
Northlake, IL

GREEN DUCK CORP.
Hernando, MS

GREYHOUND ELECTRONICS, INC.
Toms River, NJ

HAMILTON SCALE CORP.
Toledo, OH

HANTAREX USA, LTD.
Douglaston, NY

HIGH-TECH ENTERTAINMENT, INC.
Muncie, IN

HOUSE OF CARDS, INC.
Atlanta, GA

I.C.E.
Tonawanda, NY

IMPERIAL BILLIARD INDUSTRIES
Moonachie, NJ

INTERLOGIC, INC.
Rosemont, IL

INTERNATIONAL GAME TECHNOLOGY
Reno, NV

INTERNATIONAL TOTALIZING SYSTEMS, INC.
Newton Upper Falls, MA

INTREPID MARKETING
Los Altos, CA

J-S SALES COMPANY, INC.
Mt. Vernon, NY

JENSON TOOLS, INC.
Phoenix, AZ

JUKEBOX JUNCTION, INC.
Des Moines, IA

KIDDIE-RIDES, USA
Davenport, IA

KLOPP INTERNATIONAL, INC.
Pinellas Park, FL

KONAMI OF AMERICA, INC.
Torrence, CA

M. KRAMER MFG.
Lakewood, NJ

KURZ-KASCH ELECTRONICS
Dayton, OH

LASER DISC COMPUTER SYSTEMS, INC.
Boston, MA

LOEWEN-AMERICA, INC.
Franklin Park, IL

MARANTZ PIANO CO., INC.
Morganton, NC

MEDCO SECURITY LOCKS, INC.
Salem, VA

MERIT INDUSTRIES, INC.
Cheltenham, PA

MEYCO GAMES, INC.
Santa Clara, CA

MICRO COIN
Chula Vista, CA

MIDWEST KABLE, INC.
Redford, MI

MOVIE HUT
Elkland, MO

MV PRODUCTIONS
Antioch, TN

NAMCO-AMERICA, INC.
Sunnyvale, CA

NEVADA GAMING SCHOOL
Las Vegas, NV

NICHIBUTSU USA CORP.
Gardena, CA

NINTENDO OF AMERICA, INC.
Redmond, WA

NOMAC, LTD.
Algonquin, IL

NORTH AMERICAN AMUSEMENT CO.
Rock Island, IL

THE NORTON CO., INC.
Tampa, FL

O'CONNER DISTRIBUTING CO., INC.
Dallas, TX

OMACO ENTERPRISES, INC.
Phoenix, AZ

PENN-RAY INTERNATIONAL CORP.
Bensalem, PA

PHOTAR INDUSTRIES
Palm Bay, FL

PLAY METER MAGAZINE
New Orleans, LA

PRINT PRODUCTS INTERNATIONAL
Silver Spring, MD

PRIORITY CIGARETTE SERVICE, INC.
Cleveland, OH

R. J. REYNOLDS TOBACCO CO.
Winston Salem, NC

ROCK-OLA MFG. CORP.
Chicago, IL

ROWE INTERNATIONAL, INC.
Whippany, NJ

SMS MANUFACTURING CORP.
Point Pleasant, NJ

SNK ELECTRONICS CORP.
Torrence, CA

SALLY INDUSTRIES, INC.
Jacksonville, FL

SAMPO CORP. OF AMERICA
Elk Grove Village, IL

SCAN COIN, INC.
Herndon, VA

SEGA
San Diego, CA

SEIDEL AMUSEMENT MACHINE CO., INC.
Albuquerque, NM

SENTE TECHNOLOGIES
Hollister, CA

SIMUTREK, INC.
Hayward, CA

SKEE-BALL, INC.
Lansdale, PA

STAMBOULI BROTHERS
Pantin, France

STANDARD CHANGE MAKERS, INC.
Indianapolis, IN

STANDARD METAL TYPER, INC.
Chicago, IL

STATUS GAME CORP.
W. Hartford, CT

STERN ELECTRONICS, INC.
Elk Grove, IL

STEVEN-MORRIS CO.
Evanson, IL

SUMMIT SYSTEMS, INC.
Canoga Park, CA

SUNDANCE DISTRIBUTING SYSTEMS, INC.
Henderson, KY

SUZO TRADING CO.
Rotterdam, Netherland

TAGO ELECTRONICS
Arlington, TX

TAITO AMERICA CORP.
Elk Grove, IL

BEAUREGARD PLANTATION AT CHALMETTE BATTLEFIELD: *Here in 1815, General Andrew Jackson and a crew of militia units including some of Jean Lafitte's pirates, defeated a superior British force in the Battle of New Orleans. The Beauregard House is a beautiful creole mansion built in 1833. This structure was the home of Rene Beauregard, son of the famous Confederate General P.G.T. Beauregard, and is readily accessible to atendees of the '83' Expo.*

TECH VEND MARKETING
Norcross, GA

TEHKAN LIMITED
Toyko, Japan

THIRD WAVE ELECTRONICS CO., INC.
Fort Lauderdale, FL

THOMAS AUTOMATICS, INC.
Santa Clara, CA

TOMMY LIFT GATE MFG. CO.
Woodbine, IA

TOYTRONIC AMUSEMENT, INC.
Montreal, Quebec, Canada

TRU CHECK COMPUTER SYSTEMS, INC.
Rye, NY

TSK
City of Industry, CA

U.S. BILLIARDS, INC./K ENTERPRISES
Amityville, NY

ULTRA LIFT CORP.
San Jose, CA

UNI ENTERPRISE CO., LTD.
Sendai City, Japan

UNIVERSAL MACHINE CO., INC.
Dallas, TX

UNIVERSAL USA, INC.
Santa Clara, CA

UTEC, INC.
Cincinnati, OH

THE VALLEY CO.
Bay City, MI

VAN BROOK OF LEXINGTON
Lexington, KY

VENDALL MACHINES LTD.
Ottawa, Ontario, Canada

VENDING INTERNATIONAL CORP.
San Juan, CA

VENTURE LINE, INC.
Phoenix, AZ

VIDEO BABIES, INC.
Port Chester, NY

VIDEO HORIZONS, INC.
Bend, OR

VIDEO MUSIC INTERNATIONAL
Los Angeles, CA

WICO CORP.
Niles, IL

WILLIAMS ELECTRONICS, INC.
Chicago, IL

ROGER WILLIAMS MINT
Attelboro, MA

WILLIS INDUSTRIES, INC.
San Jose, CA

THE WIZ KIDS
Irwin, PA

WORLD WIDE PRESS, INC.
Great Falls, MT.

The curve of the Mississippi River that gave New Orleans her name, "Crescent City" as seen from the Expo headquarters hotel, the Hilton.

Insurance Problems?

Call the AMOA Insurance Trust Office

Inflation Slows Down, But Not For Medical Care

Most business leaders have been encouraged by the substantial drop — to 3.9% — in the nation's inflation rate as measured by the Consumer Price Index. With lower inflation, management can plan and control costs more effectively, and bottom-line results are bound to improve.

But one major section of the economy is still producing double-digit inflation.

The January *Kiplinger Washington Letter* reported an 11% overall health care cost increase in 1982, with specific services producing even higher increases. Since virtually every American business purchases medical services for its employees and their families either directly or indirectly, this uncontrolled and seemingly uncontrollable expense has a ripple effect on costs in other economic sectors.

Just how big is the medical care "business"? Last year, for the first time in history, the health care industry generated more than 10% of the U.S. Gross National Product. Equally disturbing in last year's slack economy, only two industries grew *faster* than health care: electronics and communications.

Why are medical costs out of control? Some possible reasons were suggested in a February 1983 *Forbes* interview with Michael Bromberg, executive director of the Federation of American Hospitals, a trade association which represents more than 1,000 "for-profit" hospitals across the country.

Bomberg feels control of health care costs is particularly difficult because:

1. Doctors and hospitals have historically had little or no incentive to control costs.
2. Patients, too, often have little or no incentive to make sure that their treatment is cost-beneficial.
3. Some groups of skilled hospital personnel (nurses, for example) have been in short supply recently, producing a "price war" which has driven all hospital salaries up faster than other industries' labor costs.
4. Technological advances have produced a vast array of complicated medical machinery — machinery which is expensive in itself, and which requires an army of highly trained (and expensive) technicians for its operation and maintenance.

And there are other factors too:

5. Fear of malpractice suits has convinced many physicians to practice "defensive medicine", ordering repeated tests to document the justification for their medical judgments.
6. As government programs like Medicare and Medicaid *reduce* their reimbursement levels, health care providers necessarily seek alternative sources of reimbursement by increasing their charges to non-governmental clients . . . in other words you and your employees.
7. In a recessionary economy, people who fear a layoff rush to obtain treatment before they lose their benefits; for those who have job security, a slack period may be an ideal time to take care of existing problems. And since all of us have learned to "bill fast and pay slow", many consumers now submit a health insurance claim as soon as they receive the most minor medical or prescription bill; this higher *volume* of claims increases the cost of administering a medical insurance plan.

An isolated businessperson can do little to restrain the rise in health care costs. Working together, businesses can take significant actions which all help to produce a change:

First, be a more intelligent health care consumer yourself, and encourage your employees to find out the facts about *their* medical care. Ask *why* a particular test or course of treatment is appropriate, *what alternatives* could be considered, what the *next step* is likely to be. Check your bills — particularly hospital bills — make sure they don't include treatment, tests, or medications you never received. Insist on a relationship with your health care providers in which you are *an equal partner*, deferring to their knowledge and experience where appropriate, but with a right to learn as much about your condition as you are capable of understanding.

Second, do whatever you can to support efforts in your area to control health care costs. Are any local businesses working with physicians and hospitals to control costs? Can you support their efforts or join a local business coalition? Are you on a hospital board — or do you know people who are? Until health care users and heath care producers communicate more effectively, chances are slim that these spiralling costs will be restrained?

Finally, take a look at your own firm's benefit program. If your employees *aren't* asking questions about the treatment their physicians recommend, it may be because they have no incentive to do so. Do your employees contribute to the cost of their Medical insurance? Are they responsible for a substantial annual deductible or a low-incentive $100 deductible? How much does the employee have to pay before the Plan begins to pay all eligible charges? There *are* people whose behavior isn't changed by financial incentives; if this is true of your employees, changing your benefit structure won't help. But if, like most people, your employees watch out for their own dollars more carefully than for yours or the insurance company's then a benefit change may help.

The AMOA Trust Office stands ready to help you evaluate your current program and the alternatives sponsored by AMOA for its members. Simply call Sandra Jeter or Lita Clark on the Trust Office's tollfree number, 800-621-6661 [in Illinois, call (312) 346-1221 collect] for more information. The AMOA Plan will not, by itself solve the national health care cost crisis, but it does offer members the best combination of price, product and service available in this troubled marketplace.

HOW TO TAKE MONEY OUT OF A CLOSELY HELD CORPORATION *(continued from page 7)*

pensation can be attacked by the IRS and taxed as a non-deductible dividend to the corporation.

Preferred stock dividends presents a safe and practical way of cutting the family tax bill. An example is the best way to explain this tax saving plan. Assume you have four children and would like to use corporate funds to pay for their college education. Declare a tax-free, preferred stock dividend, followed by a gift. You can gift up to $10,000 per year to each child without gift tax consequences. Let's say the amount of the dividend it $40,000, or $10,000 of preferred stock to each child. Assume an 11 percent dividend rate, or $4,400 in total cash dividends – that would be $1,100 per year for each child. If the children have no other income, all of the cash dividends will be tax-free. Such preferred stock dividends can be used to divert income to any zero or low-bracket family member.

Stock redemption can be used to take money or property out of a corporation at capital gain rates. Consider this scenario. Assume Corporation X owns free and clear land and a building that originally cost $300,000. Its reduced tax basis, due to depreciation, is $100,000, and because of the appreciation and inflation, the property is now worth $500,000. F, the founder of the corporation, owns 40 percent of the stock, while the other 60 percent is owned by members of his immediate family. F wants to retire.

His 40 percent of the stock is worth $500,000. The corporation exchanges the real estate for F's stock. The tax consequences are delightful. The $400,000 profit realized ($500,000 value less $100,000 basis) by the corporation is taxed as follows: 15 percent of the property's straight-line depreciation is ordinary income; the balance of the profit is treated as a long-term capital gain. F has a capital gain equal to the difference between the $500,000 real estate value and his tax basis for the stock. F can now turn around and lease the real estate to the corporation at a fair rental. Best of all, F can depreciate the real estate (the building only, but not the land) just as if he had purchased it for $500,000.

Lease vs. Purchase is another method of taking dollars out of the family controlled corporation. Instead of the corporation purchasing property needed in the operation of the corporation, the property is purchased by a family partnership. The property could be vacant land, improved real estate or personal property (like a computer, machinery or equipment). The property would be leased by the partnership to the corporation at a fair rental. The members of the partnership could be either high-bracket taxpayers (like the founder of the corporation when the partnership is throwing off a loss due to depreciation) or low-bracket taxpayers (like children, grandchildren, or an aging mother or father when the partnership is throwing off a profit).

A Subchapter S election, often thought of only for loss or low profit corporations, should now be considered for the very profitable corporation. The highest personal tax bracket is 50 percent. With the highest corporate rate at 46 percent the 4 percent differential is immaterial. For corporations with an accumulated earnings problem, an outlook for continued high earnings, and no likely place to invest those earnings, a Subchapter S election can avoid the dividend tax problem and save taxes in the long run.

Finally, a warning: The above checklist is not intended to be complete. Also, there are other methods available to help you take money out of your closely held corporation. Nor does the above material for the methods covered intend to cover all the nuances, exceptions and tax traps for the unwary.

This article should be considered a starting point, together with the help of a competent professional tax advisor, for planning a strategy to take money out of your closely held corporation. Tax planning saves dollars. Do it. ■

Would you like more information on this fascinating subject? Send for Special Report: ***How to TAKE MONEY OUT of Your Closely Held Corporation*** – $21 to: Blackman, Kallick & Company, Ltd., 180 N. LaSalle Street, Chicago, Illinois 60601.

FROM CAPITOL HILL

The court noted that among the copyright owner's exclusive right is the right "to prepare derivative works based upon the copyright work." A derivative work under the Copyright Act is: "a work based upon one or more pre-existing works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted."

Accordingly then, the plaintiff as holder of the original copyright on the "Galaxian" game therefore had the exclusive rights to prepare the speed up version of the game. The defendant did not have this right so was in violation of the plaintiff's copyright. The court did admit that the Copyright Section 101 defining derivative works had to be stretched a bit to let in speeded-up videogames as derivative works but pointed out that this inclusion appeared within the limits within which Congress wanted the new Copyright Act to operate. ■

CAN ESTATE TAXES BE ELIMINATED?

The answer to that question can be "YES". If you are willing to plan ahead, the major portion if not all of your estate taxes can be eliminated.

Estate planning consists of three steps: Deciding what you want to leave to whom; developing a plan to accomplish what you want; and developing a program to accomplish the first two with minimum taxes. So estate planning really has two aspects — developing your desires, and then figuring out how to limit the estate taxes. Seldom does estate-tax planning attempt to **avoid** estate taxes, which is unfortunate, since there is little need for the heirs of a thinking business owner to ever pay a cent of estate taxes.

The ingredients of conventional estate planning consist of your will and the arrangements; such as gifting stock or property to your heirs, selling them stock and possessions, putting the business and/or other holdings into a trust, insurance-funded buyouts, recapitalization, etc. All of these are stock-in-trade for your lawyer, accountant, insurance man, and banker. Unfortunately, they all suffer very serious and expensive flaws, from the cost of administration to inflexibility to far higher taxes than is necessary.

Let's look at a couple of the more popular arrangements being used in estate planning today.

Recapitalization - Giving The Heirs The Growth In Value

This consists of creating two new types of stock—preferred voting which is made worth the value of the business, and common nonvoting which is worthless. Your ordinary common voting stock is then traded for the preferred voting and you give the valueless common nonvoting to your heir(s). By a neat legal trick, the value of your new preferred is fixed; therefore, all growth (real or just inflation) is in the heirs' stock.

If the business is worth $1 million and grows to $10 million during your and your wife's lifetime, the par value is supposed to hold your preferred stock always at the original value of $1 million, and the $9 million growth takes place in the heirs' stock. Sounds too good to be true, doesn't it? It is.

The scheme suffers on a number of points:

1. If you ever want to change it, for whatever reason, you will have to buy your heirs' stock back!
2. All your income on the stock is a nondeductible dividend and highly taxed to you.
3. The vote has value and is an estate-tax liability, and about half the usefulness disappears on this point.
4. The IRS no longer provides letter rulings on recap schemes, which means the scheme is being shot down—and when the loophole closes, it will be retroactive, since it will apply to valuation freezing of the preferred stock and its voting power. It was never a good arrangement because of its inflexibility; now it is getting rapidly worse.

Arrangements to gift stock to heirs, or sell it to them, all require spending two dollars in income taxes to avoid one dollar of estate taxes.

Is There An Answer?

The only technique which appears to offer protection against inflation, control for the present owners, and elimination of estate taxes is a long-term buyout (installment sale) of the business to the heir or heirs. Generally, the heir sets up a corporation to make the purchase, and hires the present owner as its president, with a noncancellable, lifetime employment contract. This gives the present owner full and free control, plus long-term income, which is as it should be. Then the heir's corporation buys out the parent's business over 10 to 20 years, using the cash flow to make the payments. The terms of the father's employment contract let him throw the deal into default if he changes his mind, tax laws change, or anything goes wrong. The owner gets total inflation protection, no estate taxes on the business, a modest current income-tax liability, full operating control over the business, and the ability to cancel the deal. Which is a hard package to equal.

It is, however, somewhat involved legally from a tax standpoint, and many accountants and attorneys are not familiar with the techniques involved. If the subject interests you, send a self-addressed #10 envelope with 37¢ postage to the Independent Business Institute, PO Box 159, Akron, OH 44309, and ask for their Report "How To Eliminate Estate Taxes." It is free to business owners and their heirs. ■

The Ultimate Marketing Tool . . .

Your Association Magazine

NOTICE: The *LOCATION* moves to an advertisement carrying magazine format with the October Exposition issue.

Serious about increasing sales this year? Then start this Expo right by inserting your ad in the new magazine format October issue of the ***LOCATION***. You will be reaching your market — the AMOA members who are serious buyers for your product or service and at the same time you will be contributing support to the Association.

Advertisement for a product or service through the AMOA ***LOCATION*** is intended as a membership service. Our acceptance of such advertisement does not constitute endorsement of the product or service by the AMOA and shall not be represented as such by the advertiser.